

**SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DOCKET NO. 2002-1-E
DIRECT TESTIMONY OF CAROLINA POWER & LIGHT COMPANY**

WITNESS LARRY A. WASHINGTON

1 **Q. Please state your name and business address.**

2 **A. My name is Larry A. Washington, and my business address is 411 Fayetteville Street**
3 **Mall, Raleigh, North Carolina, 27602.**

4 **Q. What is your position with Carolina Power & Light Company?**

5 **A. I am the Manager – Fuel Accounting in the Fuels & Terminal Business Unit.**

6 **Q. Please state your educational background and experience.**

7 **A. I have a B. S. degree from the University of Alabama, Birmingham. I have been**
8 **employed by Carolina Power & Light Company for 4 1/2 years. During that period I**
9 **have worked in the Fuel Group as Manager of Fuel Delivery and Manager of Fuel**
10 **Accounting, with the appointment to my current position occurring in February 2001.**

11 **Q. What is the purpose of your testimony?**

12 **A. The purpose of my testimony is to show the reasonableness of the Company's fuel**
13 **purchasing practices and to present fuel cost data for the historical test period January**
14 **2001 through December 2001.**

15 **Q. How much contract coal and spot coal did the Company receive during the test**
16 **period?**

17 **A. The Company received 11,122,675 tons of contract coal at an average cost of**
18 **173¢/MBtu and 1,935,757 tons of spot coal at an average cost of 186¢/MBtu.**

19 **Q. What was the Company's inventory of coal at the end of December 2001?**

20 **A. The coal inventory as of December 31, 2001 was 2,375,600 tons, which would provide**

1 about 56 days of generation based on an 85 percent fossil steam capacity factor.

2 **Q. Please describe Washington Exhibit No. 1.**

3 **A.** Washington Exhibit No. 1 shows the quality of coal received each month during the
4 period.

5 **Q. What was the average nuclear fuel cost for the generation of electricity during the**
6 **period January 2001 through December 2001?**

7 **A.** The average cost of nuclear fuel consumed in the generation of electricity during that
8 period was 44¢/MBtu.

9 **Q. During the period January 2001 through December 2001, how many gallons of No.**
10 **2 fuel oil did the Company receive and at what cost?**

11 **A.** The Company received a total of 34,041,246 gallons of No. 2 fuel oil at an average cost
12 of 86¢/gallon (622¢/MBtu) for that period.

13 **Q. What was the Company's closing oil inventory on December 31, 2001?**

14 **A.** The Company's closing oil inventory on December 31, 2001 was 23,588,649 gallons of
15 No. 2 fuel oil.

16 **Q. How much natural gas did the Company burn during the period January 2001**
17 **through December 2001?**

18 **A.** The Company burned 11,000,752MCF natural gas for the period at a cost of 450¢/MBtu.

19 **Q. Were the inventory levels maintained during the test period appropriate and were**
20 **your fuel procurement practices reasonable and prudent?**

21 **A.** Yes. The inventory levels ensured an adequate supply of fuel to meet our customers'
22 electrical requirements during this period and the fuel was secured at a reasonable cost
23 utilizing prudent procurement practices and procedures. CP&L continuously evaluates
24 the term and spot markets for coal, nuclear, oil and natural gas in order to determine the

1 appropriate portfolio of long term and spot purchases of fuels that ensure a reliable
2 supply of electricity to our customers at the lowest reasonable prices. Such evaluations
3 include daily, weekly and monthly solicitations, subscription to fuel pricing services and
4 trade publications and outside consultants.

5 **Q. Does this conclude your testimony?**

6 **A. Yes, it does.**

1 Q [Mr. Austin] Please give us a summary of your testimony.

2 A The purpose of my testimony is to show the reasonableness
3 of CP&L's fuel purchasing practices and to present fuel
4 cost data for the historical test period January 2001
5 through December 2001. The fuel inventory that was
6 maintained during the test period ensured an adequate
7 supply of fuel to meet our customers' electrical
8 requirements during this period and the fuel secured at a
9 reasonable cost utilizing prudent procurement practices
10 and procedures.

11 MR. AUSTIN: We tender the witness,
12 Mr. Chairman.

13 CHAIRMAN SAUNDERS: Mr. Elam?

14 MR. ELAM: No questions.

15 CHAIRMAN SAUNDERS: Ms. Belser?

16 MS. BELSER: No questions, Mr.
17 Chairman.

18 CHAIRMAN SAUNDERS: Commissioners?
19 Commissioner Carruth?

20 COMMISSIONER CARRUTH: Thank you, Mr.
21 Chairman.

22 **EXAMINATION BY VICE CHAIRMAN CARRUTH:**

23 Q Good morning, Mr. Washington.

24 A Good morning, sir.

1 Q Mr. Washington, on a prior occasion I got into a
2 discussion with a witness — I don't remember whether it
3 was you — who was testifying to the same things, and we
4 were talking about contract coal prices versus spot coal
5 prices.

6 A That was me.

7 Q That's what I thought. And on that occasion, I think,
8 when we first discussed the matter, for some reason, I
9 don't know whether it was an anomalous market situation
10 or what, spot coal was cheaper than contract coal at that
11 point, and I believe I remember that the initial
12 explanation had to do with the kinds of things that
13 contributed to the spot coal prices at the time. Am I
14 correct in assuming it was by the winding up of things a
15 little bit, the tail end of something here and there, and
16 that for some reason market conditions were more
17 favorable comparatively and spot coal was a little
18 cheaper at that point, but that's usually not the case?

19 A No, sir. That usually is the case.

20 Q Usually is the case?

21 A Yes, sir.

22 Q Okay. So it is the case that spot coal — your testimony
23 is that spot coal is a little cheaper than contract coal?

24 A That would be the normal.

1 Q Okay. And you've got spot coal here at \$1.86 and
2 contract coal at \$1.73.

3 A That's correct. Last year was an abnormal year.

4 Q Alright. Just checking that out with you. I'm letting
5 you know I remember what you said before. Thank you very
6 much.

7 CHAIRMAN SAUNDERS: Any other
8 Commissioners?

9 [No Response]

10 CHAIRMAN SAUNDERS: Mr. Austin?

11 MR. AUSTIN: We have no redirect, Mr.
12 Chairman.

13 CHAIRMAN SAUNDERS: You may step
14 down, sir.

15 MR. AUSTIN: Our next witness will be
16 Mr. Penny, Ron Penny.

17 WHEREUPON: RONALD R. PENNY, FIRST
18 BEING DULY SWORN, ASSUMES THE STAND AND
19 TESTIFIES AS FOLLOWS:

20 **DIRECT EXAMINATION BY MR. AUSTIN:**

21 Q Mr. Penny, for the record would you give us your name and
22 business address?

23 A My name is Ronald Penny. My business address is
24 412 South Wilmington Street, Raleigh, North Carolina.

1 Q By whom are you employed and in what capacity?

2 A I'm employed by Progress Energy Service Company. My
3 title is Director of Regulatory Services.

4 Q For this proceeding, did you prepare and cause to be
5 prefiled testimony in question and answer form?

6 A I did.

7 Q If I were to ask you — I believe you have a change you
8 need to make to that testimony?

9 A I certainly do have one change.

10 Q What is that change?

11 A On page four of my direct testimony, the next to the last
12 question on that page, I would like to change the
13 recommended factor in this case to 1.485 cents per
14 kilowatt-hour instead of the 1.490 shown in my answer.
15 CP&L is accepting the adjustments proposed by Staff
16 witness Cherry and thus the resulting fuel factor
17 calculation as indicated by Staff witness Watts.

18 Q And Mr. Penny, with that change, if I were to ask you the
19 questions contained in your prefiled testimony, your
20 answers would be the same?

21 A They would.

22 MR. AUSTIN: Mr. Chairman, we would
23 ask at this time that Mr. Penny's prefiled
24 testimony as amended from the stand be

1 copied into the record as if given orally
2 from the stand.

3 CHAIRMAN SAUNDERS: The testimony
4 will be admitted as amended, sir.

5 Q [Mr. Austin] Mr. Penny, do you have an exhibit that
6 accompanied your prefiled testimony?

7 A Yes, sir, I have four of them.

8 Q I believe you have one exhibit — four exhibits. Were
9 those exhibits prepared by you or under your supervision?

10 A They were.

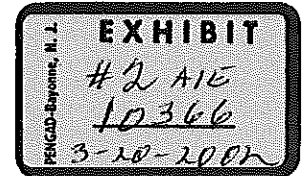
11 MR. AUSTIN: Mr. Chairman, we'd ask
12 at this time that Mr. Penny's exhibits be
13 received as the next composite Hearing
14 Exhibit.

15 CHAIRMAN SAUNDERS: It will be
16 Hearing Exhibit #3 and entered into the
17 evidence of this case.

18 [HEARING EXHIBIT #3 MARKED FOR
19 IDENTIFICATION AND ACCEPTED INTO EVIDENCE]

20 [PREFILED TESTIMONY OF
21 RONALD R. PENNY FOLLOWS]:

**CAROLINA POWER & LIGHT COMPANY
ANALYSIS OF QUALITY OF FUEL AS RECEIVED**



<u>Month</u> (a)	<u>Type</u> (b)	<u>Percent Moisture</u> (c)	<u>Percent Ash</u> (d)	<u>Percent Sulfur</u> (e)	<u>Btu/Pound</u> (f)
January 2001	Contract Coal	6.48	10.54	.85	12160
	Spot Coal	6.03	10.22	1.01	12626
February 2001	Contract Coal	6.48	10.34	.87	12336
	Spot Coal	6.60	9.94	.82	12579
March 2001	Contract Coal	6.34	10.71	.85	12398
	Spot Coal	6.33	10.10	.93	12575
April 2001	Contract Coal	6.21	10.69	.87	12393
	Spot Coal	6.31	9.16	.92	12690
May 2001	Contract Coal	6.23	10.58	.87	12395
	Spot Coal	6.27	10.68	.99	12479
June 2001	Contract Coal	6.24	10.88	.83	12352
	Spot Coal	6.82	11.00	.99	12643
July 2001	Contract Coal	6.08	10.98	.86	12420
	Spot Coal	5.85	8.81	.87	12647
August 2001	Contract Coal	6.38	11.01	.80	12337
	Spot Coal	6.73	9.65	.76	12351
September 2001	Contract Coal	6.20	11.20	.85	12340
	Spot Coal	5.63	11.79	.84	12348
October 2001	Contract Coal	6.16	10.82	1.15	12411
	Spot Coal	5.42	11.09	.75	12362
November 2001	Contract Coal	5.85	11.34	.87	12386
	Spot Coal	5.81	11.15	.93	12498
December 2001	Contract Coal	6.34	11.08	.88	12421
	Spot Coal	5.88	10.21	1.05	12882